

House Study Bill 255

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
REBUILD IOWA AND DISASTER
RECOVERY BILL BY
CHAIRPERSON SCHUELLER)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to linked investments by making loans available
2 to borrowers in disaster areas.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1037HC 83
5 tw/rj/14

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1 1 Section 1. Section 12.32, subsection 3, Code 2009, is
1 2 amended to read as follows:
1 3 3. "Linked investment" means a certificate of deposit
1 4 issued pursuant to this section and sections 12.34 through
1 5 12.43 to the treasurer of state by an eligible lending
1 6 institution, at an interest rate not more than three percent
1 7 below current market rate on the condition that the
1 8 institution agrees to lend the value of the deposit, according
1 9 to the investment agreement provided in section 12.35, to an
1 10 eligible borrower at a rate not to exceed four percent above
1 11 the rate paid on the certificate of deposit, or, if the
1 12 borrower is located in an area declared a disaster area by the
1 13 governor pursuant to section 29C.6 or by any federal official,
1 14 at a rate not to exceed two percent above the rate paid on the
1 15 certificate of deposit. The treasurer of state shall
1 16 determine and make available the current market rate which
1 17 shall be used each month.
1 18 Sec. 2. Section 12.36, subsection 2, Code 2009, is amended
1 19 to read as follows:
1 20 2. Upon acceptance of the linked investment loan package
1 21 or any portion of the package, the treasurer of state shall
1 22 deposit funds with the eligible lending institution and the
1 23 eligible lending institution shall issue to the treasurer of
1 24 state one or more certificates of deposit with interest at a
1 25 rate determined pursuant to section 12.32, subsection 3. The
1 26 treasurer of state shall not deposit funds with an eligible
1 27 lending institution pursuant to sections 12.32, 12.34, 12.35,
1 28 this section, and sections 12.37 through 12.43, unless the
1 29 certificate of deposit earns a rate of interest of at least
1 30 one percent, except that if the borrower is located in an area
1 31 declared a disaster area by the governor pursuant to section
1 32 29C.6 or by any federal official, the certificate of deposit
1 33 may earn a rate of interest of less than one percent.
1 34 Interest earned on the certificate of deposit and principal
1 35 not renewed shall be remitted to the treasurer of state at the
2 1 time the certificate of deposit matures. Interest from the
2 2 linked investments for tomorrow program shall be considered
2 3 earnings of the general fund of the state. Certificates of
2 4 deposit issued pursuant to sections 12.32, 12.34, 12.35, this
2 5 section, and sections 12.37 through 12.43 are not subject to a
2 6 penalty for early withdrawal.
2 7 Sec. 3. Section 12.37, subsection 1, Code 2009, is amended
2 8 to read as follows:
2 9 1. Upon the placement of a linked investment with an
2 10 eligible lending institution, the institution is required to
2 11 lend the funds to the eligible borrower listed in the linked
2 12 investment loan package and in accordance with the investment
2 13 agreement. The loan shall be at a rate not more than four
2 14 percent above the rate paid the treasurer by the financial
2 15 institution determined pursuant to section 12.32, subsection
2 16 3. The eligible lending institution shall be required to
2 17 submit a certification of compliance with this section in the

2 18 form and manner as prescribed by the treasurer of state.

2 19 EXPLANATION

2 20 This bill adjusts the interest rates on certificates of
2 21 deposits and the related loans issued to borrowers under the
2 22 linked investments program when those borrowers are located in
2 23 a declared disaster area.

2 24 The linked investments program allows the treasurer of
2 25 state to invest the lesser of \$108 million or 25 percent of
2 26 the balance of the state pooled money fund in certificates of
2 27 deposit in eligible lending institutions. The money deposited
2 28 by the state is then lent to eligible borrowers at an interest
2 29 rate which, under current law, can be no more than 4
2 30 percentage points above the rate paid to the treasurer of
2 31 state on the certificate of deposit. Current law also
2 32 requires the treasurer of state to receive an interest rate of
2 33 at least 1 percent on the certificate of deposit.

2 34 The bill adjusts the interest rates on the certificates of
2 35 deposit and the loans for a borrower located in a disaster
3 1 area. The treasurer of state can receive less than 1 percent
3 2 interest on a certificate of deposit and the lending
3 3 institution cannot issue a loan at a rate more than 2
3 4 percentage points above the interest rate paid to the
3 5 treasurer of state on the certificate of deposit.

3 6 LSB 1037HC 83

3 7 tw/rj/14